



**TESTIMONY OF COMMISSIONER KEVIN SULLIVAN
DEPARTMENT OF REVENUE SERVICES
APPROPRIATIONS COMMITTEE
FEBRUARY 24, 2017**

Thank for the opportunity to testify with respect to agency funding for fiscal 2018 and 2019.

As you know, the Department of Revenue Services (DRS) provides for state tax collection, tax analytics and assistance in the development of state tax policy. In summary:

- DRS is a budget "profit center" - collecting over \$17 billion annually, processing more than 4 million returns over 43 different tax types.
- Despite a slow economic recovery, DRS year-over-year tax collections have increased every fiscal year since 2011.
- When I became Commissioner in January 2011, our agency FTE count was 684 out of a 731 authorized position count. Our net appropriation was \$64.78 million. Our current FTE count is 570 – a 17% reduction in filled positions - and the FY 17 net appropriation is \$62.27 million.
- With a very senior workforce experiencing a significant rate of retirement and almost no new hires, DRS works far leaner and smarter than ever before.
- In addition to doing more with less, DRS constantly adjusts our priorities in order to operate within available resources.
- DRS productivity has nearly doubled and provides a return on investment for the state equal to \$2,780 for every \$10 expended.

We appreciate that Governor Malloy has proposed what is essentially level funding for DRS in fiscal year 2018. This includes:

- \$1.9 million reduction each fiscal year for annualized fiscal 2017 "holdbacks."
- Elimination of funding for the scheduled tax incidence study requires passage of legislation that is proposed by the Governor.
- Reallocation of \$788,564 in FY 18 and FY 19 for staff expenses to the Master Settlement Account for Tobacco Enforcement based on the actual allocation of work.
- \$1,650,000 in FY 18 and \$350,000 in FY 19 to implement the "Fresh Start" initiative.

Assuming expenditures and hiring within the limits of our 2018 and 2019 recommended appropriations, we are committed to a carefully targeted "Fresh Start" initiative that will produce up to \$85 million in additional collection during the biennium. As you know, the agency has never failed to deliver on similar collection initiatives during the past six years.

Based on proposed agency legislation and administrative initiatives, revenue estimates for the biennium also include efforts to close the state's sales tax gap, raise fees and increase inter-agency tax clearance.

We will work with OPM to provide whatever further information the committee or subcommittee may require during your challenging budget deliberations this session.